

NOVEMBER 2015

# Michigan's Transition to a Knowledge-Based Economy 2007-2014

Lou Glazer, President, Michigan Future Inc.

Don Grimes, Senior Research Specialist  
Institute for Research on Labor, Employment  
and the Economy, University of Michigan

Funding by:  
Hudson-Webber Foundation



**MICHIGAN FUTURE INC.**  
A Catalyst for Prosperity

Lou Glazer  
President  
Michigan Future Inc.



MICHIGAN  
FUTURE INC.

A Catalyst for Prosperity

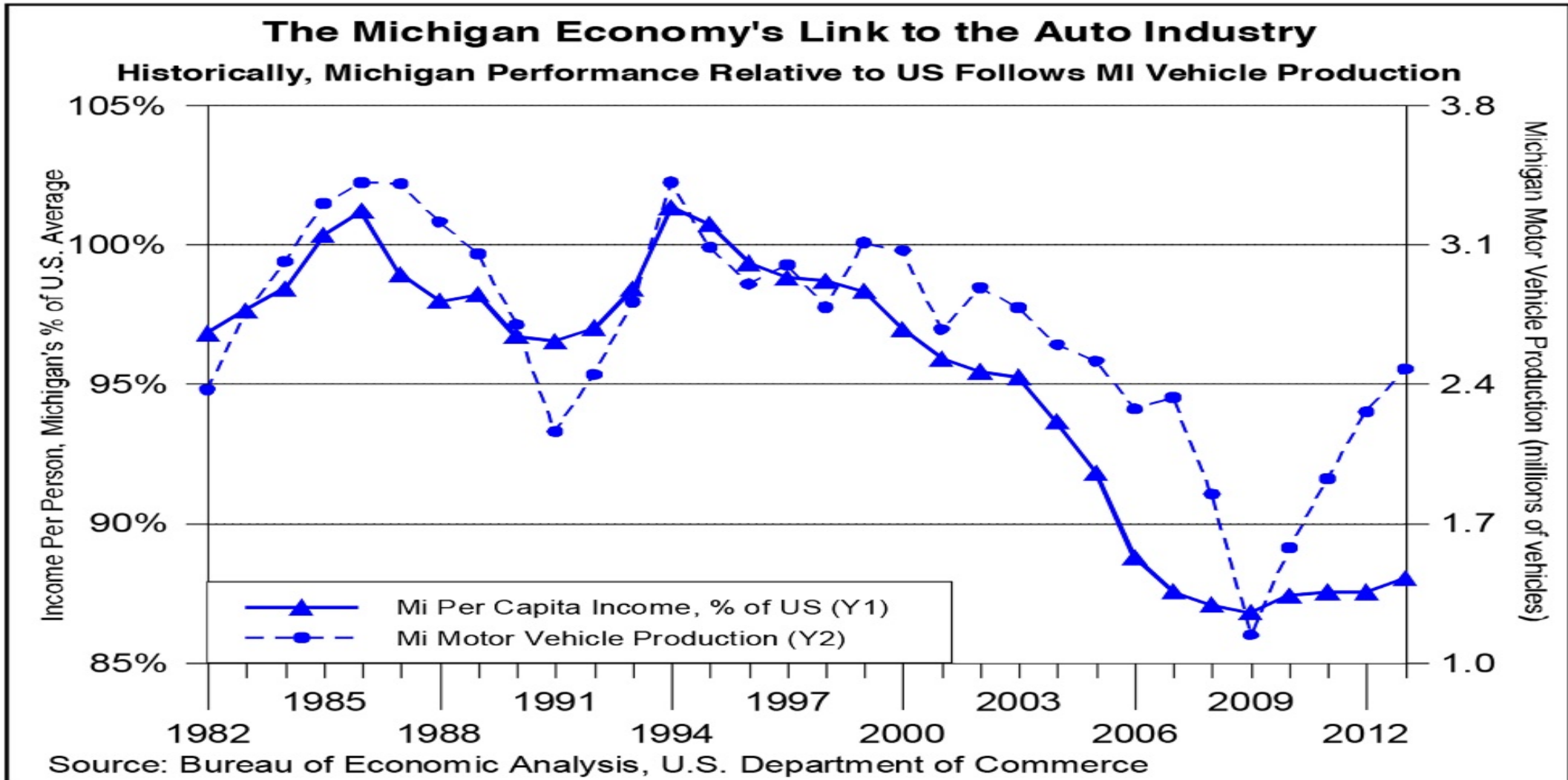
Our goal:

A high prosperity Michigan

# Michigan income ranking vs 50 states

<b>Year</b>	<b>Personal income per capita</b>	<b>Personal income except transfers per capita</b>
1999	17	16
2000	18	16
2001	21	25
2002	24	25
2003	24	27
2004	26	28
2005	28	29
2006	34	35
2007	37	37
2008	38	39
2009	38	42
2010	37	41
2011	35	41
2012	38	41
2013	36	39
2014	35	38

# Michigan's income disconnects from auto production



# Our takeaways

- Michigan is now structurally one of the nation's low-prosperity states
- In the fifth year (2014) of a national expansion—and an even stronger domestic auto industry recovery—Michigan, on nearly all the metrics, is a national laggard
- Gone are the days when the auto industry—still the prime engine of the Michigan economy—drives a prosperous economy

# Most prosperous states

	<b>Rank net earnings per capita</b>	<b>Rank person income per capita</b>	<b>Rank in bachelor's degree or better</b>
Connecticut	1	1	4
Massachusetts	2	2	1
New Jersey	3	3	5
Maryland	4	5	3
North Dakota	5	6	31
New York	6	4	9
New Hampshire	7	8	8
Alaska	8	9	26
Virginia	9	10	6
Minnesota	10	13	10

# Least prosperous states

	<b>Rank net earnings per capita</b>	<b>Rank person income per capita</b>	<b>Rank in bachelor's degree or better</b>
Montana	41	35	21
Florida	42	28	30
Alabama	43	44	44
Kentucky	44	45	45
Idaho	45	46	38
South Carolina	46	48	40
New Mexico	47	47	37
West Virginia	48	49	50
Arkansas	49	42	48
Mississippi	50	50	49

# Traits of prosperous states

- High proportion of wages from knowledge-based services
- High proportion of college grads
- Big metro with higher per cap income than state
- Largest city in that metro has high proportion of college grads

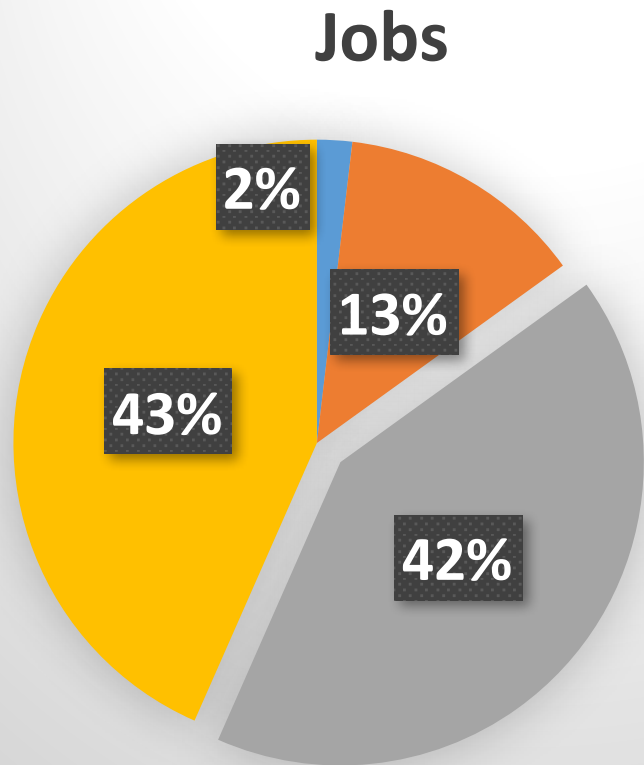


# What is the knowledge economy?

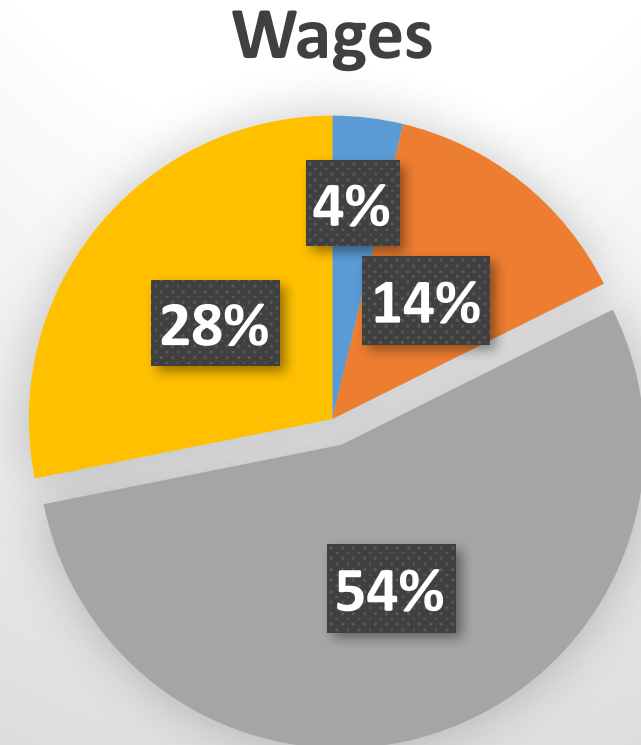
## Knowledge-based services

- Finance and insurance
- Information
- Professional services
- Management of companies
- Health care
- Education

# 2014 share of jobs, wages by sector



- High education goods
- Low education goods
- High education services
- Low education services



High education services = 42% US employment; 54% of wages  
Goods producing services = 15% of employment; 18% of wages

# Michigan rank vs. nation

<b>Category</b>	<b>Rank vs. 50 states</b>
<b>Income Per Capita, 2013</b>	<b>37</b>
<b>Transfer Payment Income Per Capita, 2013</b>	<b>10</b>
<b>Net Employment Earnings Per Capita, 2013</b>	<b>38</b>
<b>Employment to Population Share, 25 to 64, 2013</b>	<b>42</b>
<b>Average Wage, 2014</b>	<b>19</b>
<b>High Education Services Share of Total Wages, 2014</b>	<b>26</b>
<b>Bachelors or more Share of Population 25 and older, 2013</b>	<b>33</b>
<b>Bachelors or more Share of Population 25 to 34, 2013</b>	<b>29</b>

# Detroit rank vs. 52 major metros 1 m+

<b>Category</b>	<b>Detroit</b>
<b>Income Per Capita, 2013</b>	<b>38</b>
<b>Net Employment Earnings Per Capita, 2013</b>	<b>40</b>
<b>Transfer Payment Income Per Capita, 2013</b>	<b>6</b>
<b>Employment to Population Share, 25 to 64, 2013</b>	<b>49</b>
<b>Average Wage, 2014</b>	<b>18</b>
<b>High Education Services Share of Total Wages, 2014</b>	<b>33</b>
<b>Bachelors or more Share of Population 25 and older, 2013</b>	<b>42</b>
<b>Bachelors or more Share of Population 25 to 34, 2013</b>	<b>35</b>

# Grand Rapids rank vs. 52 major metros

Category	Grand Rapids
<b>Income Per Capita, 2013</b>	<b>49</b>
<b>Net Employment Earnings Per Capita, 2013</b>	<b>48</b>
<b>Transfer Payment Income Per Capita, 2013</b>	<b>38</b>
<b>Employment to Population Share, 25 to 64, 2013</b>	<b>21</b>
<b>Average Wage, 2014</b>	<b>49</b>
<b>High Education Services Share of Total Wages, 2014</b>	<b>52</b>
<b>Bachelors or more Share of Population 25 and older, 2013</b>	<b>34</b>
<b>Bachelors or more Share of Population 25 to 34, 2013</b>	<b>27</b>

# College attainment in population

(Bachelor's degree or better, age 25 and older)

<b>Area</b>	<b>Metro</b>	<b>Central City</b>	<b>Suburbs</b>
<b>Detroit MSA</b>	<b>29.0%</b>	<b>13.0%</b>	<b>31.8%</b>
<b>Grand Rapids MSA</b>	<b>30.6%</b>	<b>33.5%</b>	<b>30.0%</b>
Boston MSA	44.8%	45.2%	44.7%
Milwaukee MSA	33.2%	23.2%	38.6%
Minneapolis MSA	39.3%	43.9%	38.2%
Pittsburgh MSA	32.2%	39.7%	31.2%

# College attainment in population

(Bachelor's degree or better, age 25-34)

<b>Area</b>	<b>Metro</b>	<b>Central City</b>	<b>Suburbs</b>
<b>Detroit MSA</b>	<b>32.9%</b>	<b>13.2%</b>	<b>37.0%</b>
<b>Grand Rapids MSA</b>	<b>35.6%</b>	<b>42.1%</b>	<b>33.4%</b>
Boston MSA	55.0%	64.2%	52.4%
Milwaukee MSA	39.3%	30.2%	47.2%
Minneapolis MSA	43.8%	49.1%	41.7%
Pittsburgh MSA	44.2%	56.0%	41.5%

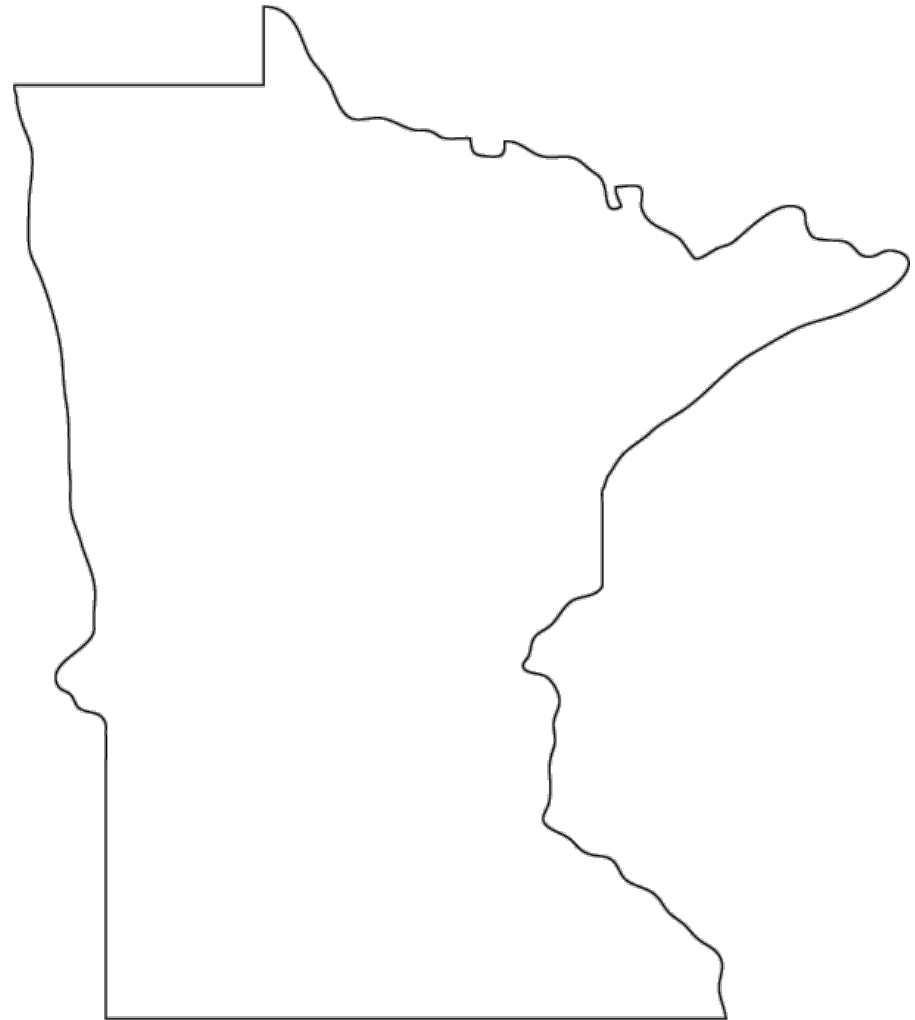
Our conclusion:

**The places with the greatest  
concentration of talent win!**

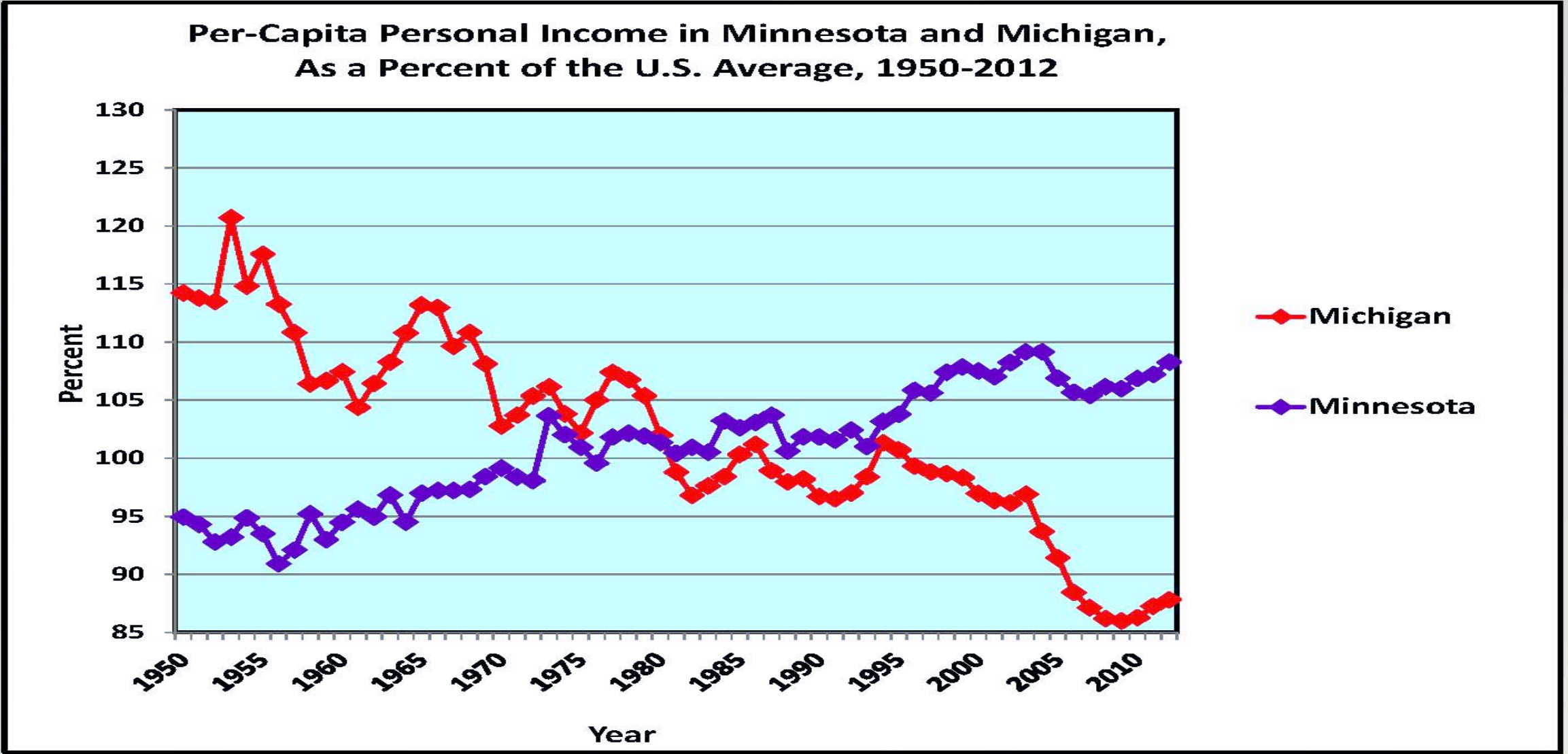


# A pattern for the future?

**A look at another cold  
weather Midwest state**



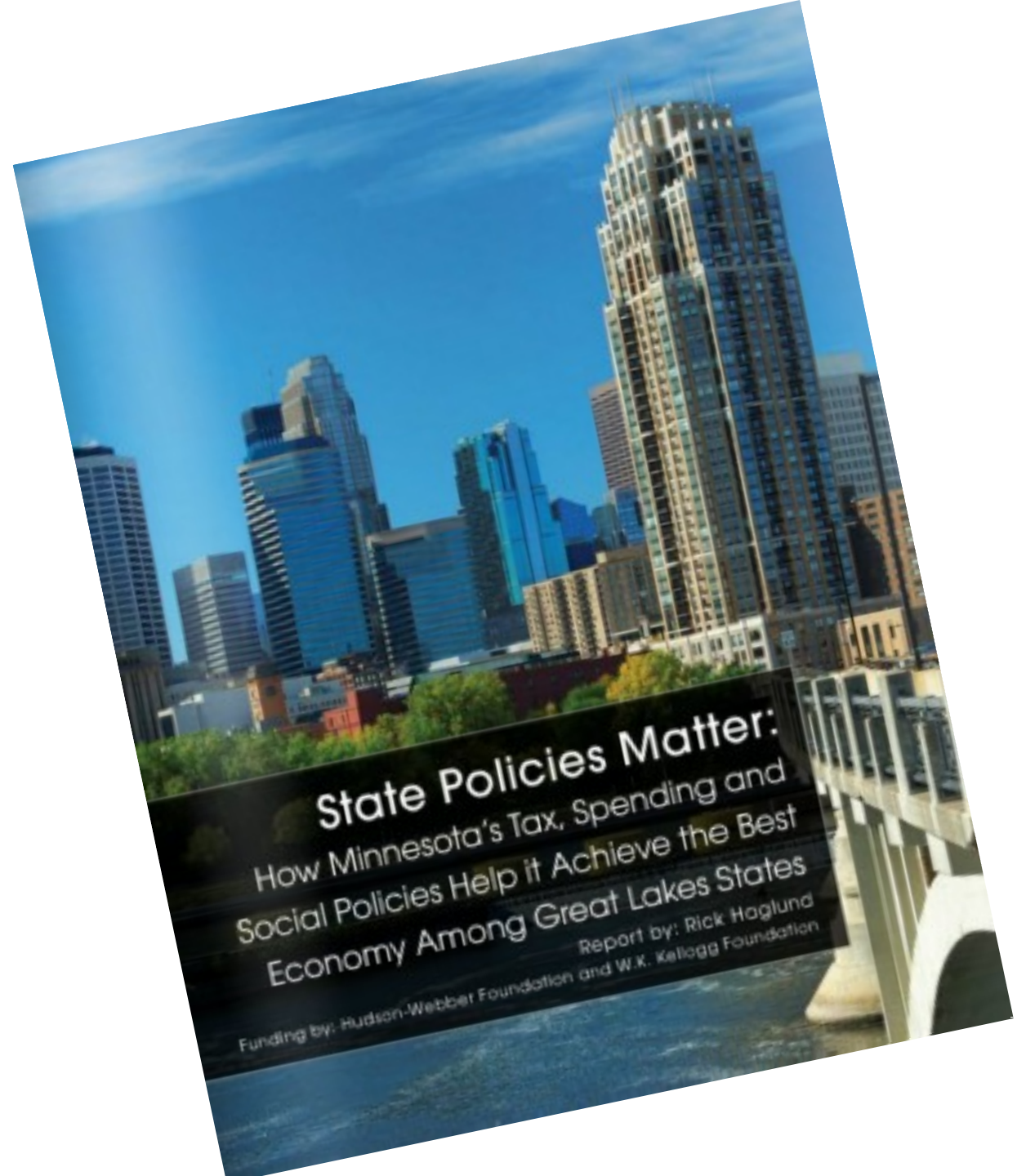
# A tale of two states



# A tale of two states

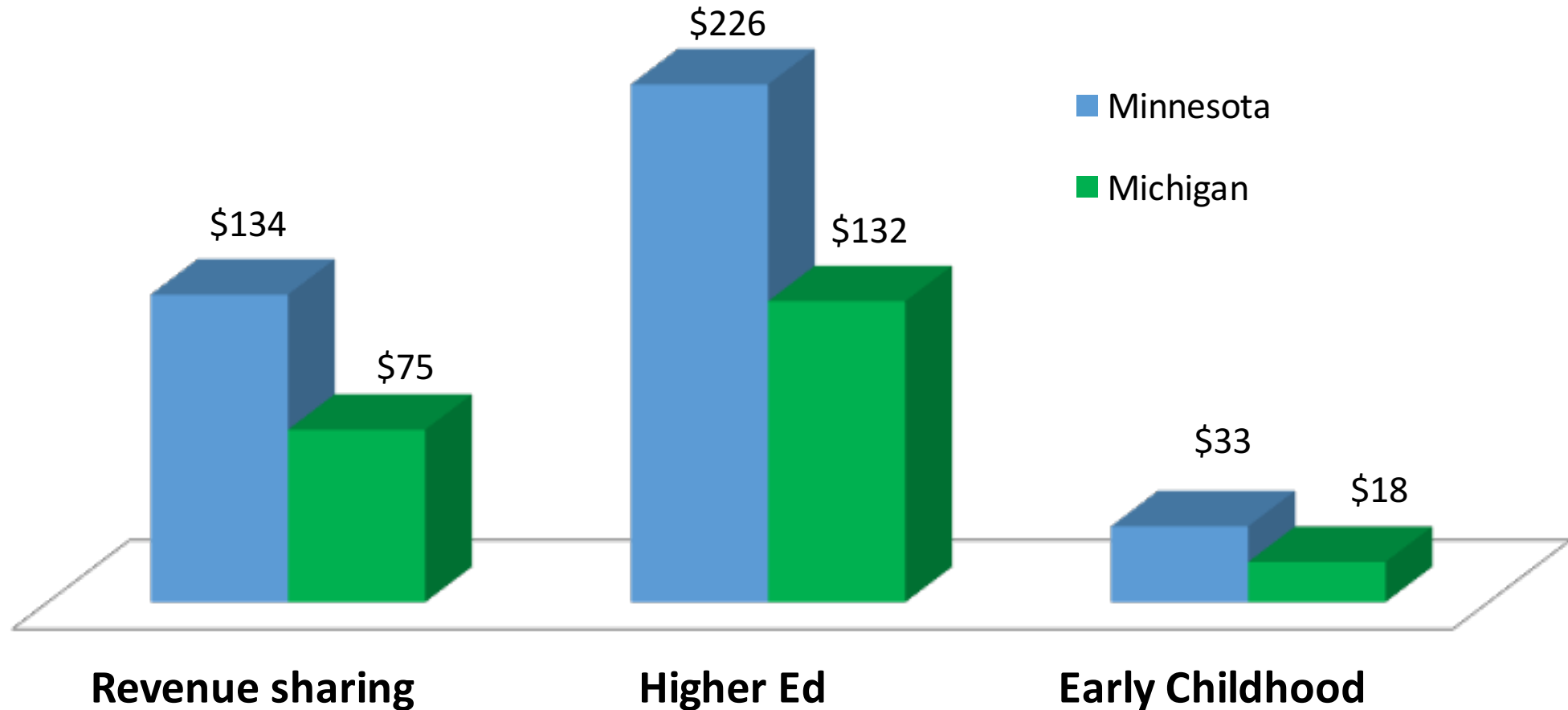
	Michigan	Minnesota
<b>Unemployment rate</b> (Dec. 2015, U.S. BLS)	<b>5.1%</b>	<b>3.5%</b>
<b>Per capita income</b> (2014, U.S. BEA)	<b>\$40,740</b>	<b>\$48,998</b>
<b>Percent of wages from high education service sector</b> (2014, U.S. BEA) ?????????	<b>49.4%</b>	<b>XXX</b>
<b>Per capita public goods investment per resident, state and local</b> (2012; Tax Foundation)	<b>\$3,630.62</b>	<b>\$5,184.78</b>

# Michigan Future looked at policy differences between Michigan and Minnesota

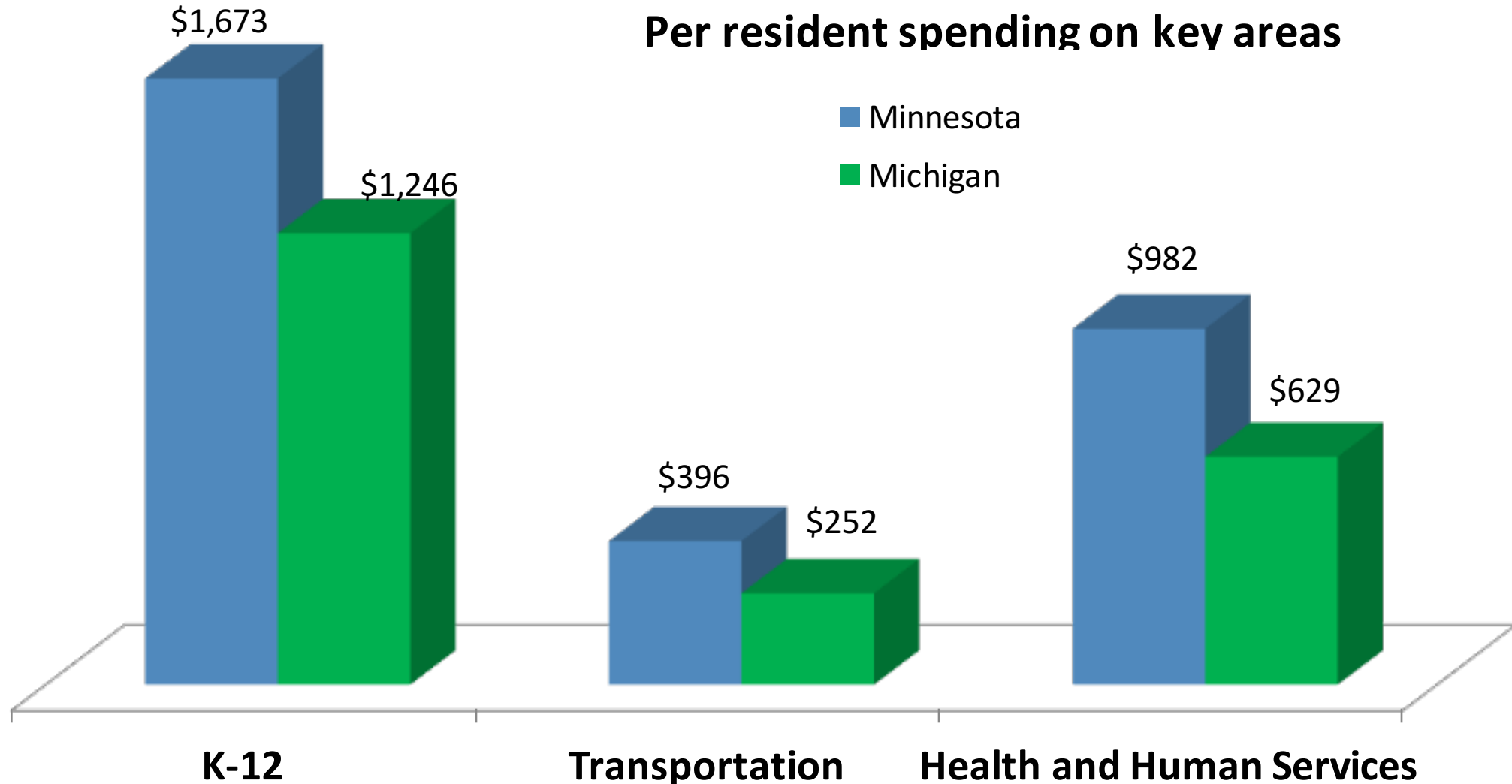


# Minnesota and Michigan public goods investment

Per resident spending on key areas



# Michigan and Minnesota public goods investment



# Minnesota regionalism

- Tax base sharing
  - Portion of tax base in Minneapolis-St. Paul metro area shared by 240 school districts, local governments, and other special taxing districts.
  - Forty percent of commercial-industrial tax base growth since 1971 pooled.
    - Local governments share
      - \$390 million in 2012
      - 37% of commercial-industrial tax base

# Minnesota regionalism

- Metropolitan Council
  - 7 county Minneapolis-St. Paul metro area.
  - 17 members are appointed by the governor.
  - Cannot be local government officials.
  - Budget: \$828.4 million
- Metropolitan Council responsibilities
  - Planning
  - Transit
  - Wastewater treatment



# American's top state for business: Minnesota

Minnesota is America's Top State for Business in 2015...

*Never since we began rating the states in 2007 has a high-tax, high-wage, union-friendly state made it to the top of our rankings. But Minnesota does so well in so many other areas—like education and quality of life—that its cost disadvantages fade away.*

—CNBC



# MICHIGAN FUTURE INC.

A Catalyst for Prosperity

[www.michiganfuture.org](http://www.michiganfuture.org)